

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL

717

NEED FOR IMPROVED ADMINISTRATION IN THE
BUREAU OF COLLECTION AND INVESTIGATIVE SERVICES

DEPARTMENT OF CONSUMER AFFAIRS

AUGUST 1977



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL



California Legislature

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August 4, 1977

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report on the administration of the Bureau of Collection (Agencies) and Investigative Services, the annual expenditures for which total \$1,061,424.

The Collection Agency program is staffed by 11 persons and the Private Investigators and Adjusters section has 17. The Chief of the Bureau is appointed by the Governor. He quit in May. His deputy quit in June. It's not surprising. The report discloses an astonishing situation of no management.

The Director of Consumer Affairs, Mr. Richard B. Spohn, who delegates administrative authority and control over the Bureau, responds that corrective measures have been introduced. Good luck to the employers and applicants whose livelihood depends upon orderly processing of correspondence and license applications.

By copy of this letter, the Department is requested to advise the Joint Legislative Audit Committee within 90 days of the status of implementation of the recommendations of the Auditor General that are within the statutory authority of the Department.

The auditors are Gerald A. Hawes, Supervisor, and Richard C. Tracy.

Respectfully submitted,

MIKE CULLEN
Chairman

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SUMMARY

We have examined the operations of the Bureau of Collection and Investigative Services (BCIS) of the Department of Consumer Affairs. The Bureau licenses, registers and regulates collection agencies, private patrol operators, security guards, private investigators, reposessors, insurance adjusters and alarm companies. We concentrated on evaluating the Bureau's operating efficiency and funding adequacy.

The following problems limit the Bureau's administrative effectiveness:

- Administrative deficiencies cause excessive delays in processing security guard registrations. The average processing time approaches three months, with delays of six months not uncommon.
- Ineffective administration of training course regulations makes compliance difficult to achieve and is not in the best interests of public health and safety.
- Collection Agency Fund deficiencies limit program enforcement. The public will be less protected from collection agency abuses.
- A legislatively mandated program to regulate alarm companies is not being conducted.

INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have examined the Bureau of Collection and Investigative Services (BCIS) of the Department of Consumer Affairs. The examination was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

BACKGROUND

The Bureau of Collection and Investigative Services is one of the Department of Consumer Affairs' 38 boards, bureaus and commissions that regulate the practices of various businesses and professions. The Bureau is authorized under the Collection Agency Act^{1/} and Private Investigator and Adjuster Act^{2/} to license and regulate collection agencies, private patrol operators, private investigators, reposessors, insurance adjusters and alarm companies.

The Bureau's function is to ensure that only those individuals who meet prescribed qualifications will be licensed or registered to work in the above industries. In addition, BCIS is required to enforce standards of ethical conduct and police unlicensed activity.

^{1/} Business and Professions Code, Section 6850, et seq.
^{2/} Business and Professions Code, Section 7500, et seq.

FUNDING

BCIS operations are funded from licensee and registrant fees. (Licensees are owners or operators of businesses, while registrants are generally employees of those businesses.) Fees flow into two special funds: (1) the Collection Agency Fund collects revenue from activities relative to collection agencies and (2) the Private Investigators and Adjusters Fund collects revenue from the remainder of the regulated industries.

The following table shows revenues, expenditures and accumulated surplus for these funds:

COLLECTION AGENCY FUND
(Unaudited)

	<u>1974-75^{1/}</u>	<u>1975-76^{1/}</u>	<u>1976-77^{2/}</u>
Revenue	\$203,682	\$208,879	\$314,919
Expenditures	247,827	316,894	309,983
Accumulated Surplus June 30	140,159	20,979	25,915

PRIVATE INVESTIGATORS AND ADJUSTERS FUND
(Unaudited)

	<u>1974-75^{1/}</u>	<u>1975-76^{1/}</u>	<u>1976-77^{2/}</u>
Revenue	\$482,019	\$324,854	\$747,634
Expenditures	465,776	491,585	751,441
Accumulated Surplus June 30	346,936	245,361	241,563

1/ Actual
2/ Estimated

STAFFING

The Bureau had 28.1 budgeted positions in fiscal year 1976-77. The Collection Agency Fund was allocated 11.1 positions while 17 positions were charged to Private Investigators and Adjusters Fund programs. The Bureau also employs temporary help and student interns.

The Director of the Department of Consumer Affairs has administrative authority and control over the Bureau but delegates this responsibility to a bureau chief who is appointed by the Governor subject to Senate confirmation. All bureau activities are subject to review by the Director. The Director is assisted by legal, budget and administrative staff of the Department of Consumer Affairs.

As of July 1, 1977, the Bureau was without a chief or deputy chief. The chief resigned in May, followed by the deputy in early June. A new bureau chief assumed duties July 5, 1977.

SCOPE

We concentrated on evaluating the Bureau's operating efficiency and funding adequacy. We reviewed all BCIS operations and procedures. In accordance with the legislative request, our review emphasized the administration of the security guard registrations. We also examined appropriate records; interviewed bureau, department and industry officials; and reviewed appropriate legislation and applicable regulations.

The Department was cooperative in our audit and acknowledged some of the deficiencies detailed in this report.

The fieldwork on this audit was concluded June 30, 1977.

AUDIT RESULTS

ADMINISTRATIVE DEFICIENCIES DELAY PROCESSING OF REGISTRANT DOCUMENTS

Administrative deficiencies within BCIS operations delay processing of security guard^{1/} registrations. Average processing time approaches three months, with delays of six months not uncommon. Consequently, BCIS administration is frequently unresponsive to security guard applicants.

Security Guard Registration Requirements

The Bureau is authorized to regulate private patrol operators pursuant to Sections 7500, et seq., of the Business and Professions Code and Chapter 7, Title 16 of the California Administrative Code. The regulations require that an individual seeking employment as a security guard with a private patrol operator be registered with BCIS. As of January 1, 1977, the regulatory process was as follows:

- A person seeking employment as a security guard is given a book by his prospective employer entitled "The Powers to Arrest."
- After studying the book, the employee must take and pass an open-book, in-house administered examination.

^{1/} As used in this report, "security guard" means an employee of a private patrol operator, protection agency service or security guard company.

- The applicant then submits to BCIS a registration card application, two sets of fingerprints, a registration fee and a certificate from the employer stating that the employee has passed the in-house examination.
- The applicant must also demonstrate that he has successfully completed a formal training course from an approved school or institution on the subject of exercising "powers to arrest." (The certification of course completion must be submitted within five weeks of the date of hire.)
- Upon submission of the required forms and documentation, the Bureau, after a brief investigation of the applicant's background, issues a registration card entitling the employee to act as a security guard.
- If the applicant is required to carry a firearm in performance of his duties as a guard, he is also required to successfully complete a formal training course from a bureau-approved school or institution. Following submission of satisfactory proof thereof, the applicant is issued a firearm qualification card authorizing the employee to carry a weapon.

Bureau estimates and workload and revenue analyses indicate that there are over 120,000 registered security guards and 676 licensed private patrol operators in California. During fiscal year 1976-77 the Bureau received nearly 24,000 applications for security guard registration.

Processing Delays

To test the Bureau's efficiency in processing applications for registration, we reviewed the status, as of June 1, 1977, of 128 applications received during February 1977. The sample was selected at random and is statistically valid for all applications received in February. The sample results are as follows:

June 1, 1977, Status of Applications Received in February

	<u>Number</u>	<u>% of Total</u>
Registration Cards Issued	53	41
Registration Cards Pending	<u>75</u>	<u>59</u>
Total	<u>128</u>	<u>100</u>

As shown, 75 registration applications, or 59 percent of the total applications received in February, were still pending as of June 1, 1977--between 90 and 118 days from the date of initial receipt. In contrast, only 53 registrations, or 41 percent of the total, were processed by the Bureau and a card issued.

Of the 75 registration cards pending, 60 percent were incomplete because they lacked the "powers to arrest" training course certification. (The "powers to arrest" training deficiencies are discussed in a subsequent section of the report.) The remaining applications were pending for a variety of reasons, such as backlogs in mailing fingerprint reject notices.

We also reviewed a sample of 156 registration cards issued in May 1977 to determine the average time elapsed from the date the application was received by BCIS to the date of issue. Again, the sample was selected at random and was statistically valid for all cards issued in May. The sample results revealed an average processing time (i.e., "turnaround time") per registration card of 76.6 days.

Additional delays in logging and mailing at the beginning and end of the registration process were not counted in our analysis. As a result, approximately ten additional days can be added to the average turnaround time, thereby increasing the processing time to 86.6 days.

Neither the Department nor the Bureau has established firm turnaround time goals for processing security guard registrations. However, a major goal of the Bureau in 1977, according to the 1976 Annual Report, is to "provide effective consumer protection without being unfair to the industry." Further, the deputy director and bureau chief have stated that turnaround time for processing security guard registrations is six to eight weeks.

Administrative Deficiencies

Numerous administrative problems have collectively impeded efficient processing of security guard registrations. The three principal deficiencies that have contributed to processing delays are:

- Lack of adequate workload standards
- Inefficient office procedures
- The absence of direct day-to-day supervision of bureau personnel.

Lack of Workload Standards

The Bureau has failed to develop workload standards to identify, monitor and record the type and amount of work performed by its staff. The security guard unit, therefore, operates without goals or expected performance levels. As a result, backlogs occur in important functions that delay the normal processing of registration documents. The Bureau, unable to identify the extent of heavy work volume, cannot allocate staff to appropriate pressure points nor effectively control the performance of its personnel.

During the past year the Management Systems Section of the Department of Consumer Affairs has assigned, at BCIS request, two management analysts to perform operation improvement studies on the security guard registration program. The studies were completed on August 31, 1976 and June 7, 1977, respectively.

Both studies recommended establishing workload standards and reporting and control systems. However, as of July 1, 1977, the Bureau has not implemented these recommendations.

Inefficient Office Procedures

Our examination revealed a significant number of inefficient office procedures that contribute to the Bureau's inability to smoothly administer the program. The major problems are:

- Unresponsive and inadequate correspondence procedures
- Haphazard or nonexistent filing systems
- Insufficient supply of forms and instructional materials
- Cluttered office appearance (i.e., boxes in aisles, desks in disarray, paperwork unfiled).

Some of the above problems have been identified and acted upon following the most recent review by the Department of Consumer Affairs' management analyst. However, much more needs to be done, particularly with respect to the filing and correspondence systems.

Absence of Strong Supervision

The security guard registration unit lacks strong management control and supervision. The day-to-day operations of the unit indicate that staff fail to receive adequate help, instruction and control from supervisory staff. Clerical personnel have not been given duty statements and, therefore, perform tasks without knowing the overall goals and objectives of the unit. In addition, supervisory staff often perform operational tasks at the expense of their managerial responsibilities.

**Security Guard Registrants
Adversely Affected**

Inefficient administration of the security guard registration program has, in our opinion, been unresponsive to applicants. Time-consuming BCIS registration procedures have often impeded the timely employment of potential security guard employees and generally subjected them to frustrating processing delays. The following are typical examples of conditions we found:

- In March of 1976, a security guard applicant mailed a complete registration packet to BCIS. In October 1976, after sending BCIS seven requests for information on the status of his application, he received a letter requesting additional fees because the Bureau had no record of receiving his application. Finally, in January 1977, the guard received his registration card. During this time the individual lost several opportunities to accept higher paying positions because he was not certified.
- A private patrol operator mailed four complete registration packets to BCIS in February 1976. Monthly communication with the Bureau revealed a series of administrative mistakes--fingerprint cards were misplaced, applications were misfiled and fees were lost. On March 30, 1977, 13 months from initial receipt of the documents, the Bureau finally promised to mail the registration cards in two weeks.
- A security guard company sent six guard applications to the Bureau in August 1976. Nearly five months later, the Bureau notified the company that the fingerprint cards could not be processed and additional fingerprints had to be submitted. Registration fees were not returned. During the five-month time lapse the applicants terminated employment with the company.

Appendix A contains additional examples of typical BCIS problems.

CONCLUSION

Security guard applications for registration are subject to excessive processing delays because of administrative deficiencies within the Bureau of Collection and Investigative Services. As a result, BCIS is unfair and unresponsive to security guard applicants, often denying them employment opportunities.

RECOMMENDATIONS

We recommend that the bureau chief develop administrative procedures to provide for timely processing of security guard registration documents.

These are the specific actions that need to be taken:

- Establish a reporting and control system that provides adequate information on program workload and accomplishments.
- Develop and establish meaningful standards for program and personnel evaluation.
- Eliminate ineffective filing systems, nonresponsive correspondence procedures, and unnecessary document backlogs.

- Ensure that bureau forms are adequately supplied.
- Develop duty statements for each staff member and inform members of their responsibilities with respect to the Bureau's overall goals.
- Develop a system of follow-up and review to assure that the above recommendations are carried out.

BENEFITS

Improving bureau administrative procedures would eliminate excessive processing delays and provide effective consumer protection without being unfair or unresponsive to the industry.

**INADEQUATE IMPLEMENTATION OF
TRAINING COURSE REGULATIONS**

BCIS has failed to develop a program that effectively implements the "powers to arrest" training regulations. Training opportunities are limited and procedural guidelines are inadequate. As a result, private patrol operators and security guard registrants have difficulty complying with mandatory regulations intended to protect the health and safety of the public.

"Powers to Arrest" Training Requirements

Regulations implementing Section 7514.1 of the Business and Professions Code, adopted on September 8, 1975, require security guards to pass an approved training course on the subject of exercising the "powers to arrest" prior to certification by BCIS. Security guards must complete the course within the first five weeks of employment, unless the Bureau grants an extension.

To receive bureau approval the course should be six to eight hours in length and cover, in part, the following material: purpose of security guards; ethics; techniques of verifying arrest situations; and legal responsibilities, restrictions and liabilities.

Additional regulations adopted in December 1976 provide for a challenge examination "option" to be taken in lieu of the course. The examination covers the same material as the course and consists of a

written examination from 45 to 75 minutes in length. Regulations state that "said examination shall be administered by the Bureau or by a bureau-approved school . . . provided that the security guard or patrolperson submits an employer certificate of equivalent training experience."

In an attempt to make the challenge examination more accessible, the Bureau sent a letter on March 15, 1977, to all California police departments and sheriffs' offices requesting representatives to act as proctors to administer the challenge examination.

Training Opportunities Are Limited

The Bureau has not taken adequate steps to ensure that a sufficient number of institutions are offering the training course or providing the challenge examination option.

A telephone survey of the 61 bureau-approved institutions revealed that only 15 schools are providing the appropriate training within reasonable time and frequency limits.

Moreover, the challenge examination option, intended as an alternative method to gain certification in areas where courses are unavailable, is being provided by only four of the approved institutions.

Industry representatives indicate that it is difficult for many security guard employees to receive the required training because so few schools offer the course. In a letter to BCIS, one private patrol operator explained his problems as follows:

. . . The serious shortage of the presently established and "ever-changing" (training courses) . . . is rapidly becoming chaotic to the security industry and its thousands of employees . . .

. . . Since the inception of the required State training it has been practically impossible to find available classes in the approved Junior College schools . . .

Inadequate Program Guidelines

A review of the Bureau's informational bulletins issued to the industry and participating schools has revealed that instructions are untimely, inadequate and occasionally misleading.

For example, the first informational material describing the "powers to arrest" training options was issued in March 1977, nearly three months after the regulations became effective. Moreover, as of July 1, 1977, the Bureau had yet to issue a summary of procedures that clearly outlined bureau requirements in regard to security guard registration. Consequently, the Bureau receives numerous daily requests for clarification of procedural requirements. The time taken to answer these questions could be spent more productively in performing normal processing operations.

BCIS informational bulletins have occasionally been misleading, contributing further to licensee misunderstanding of bureau requirements. An undated letter issued to private patrol operators relative to "powers to arrest" procedures stated:

There are two available alternatives for meeting this (training) criteria: 1) a guard may enroll in a course being given at a Bureau-approved school; and 2) a company may administer 6 hours of training to the guard, and he/she may then take a "challenge" exam. (Bureau Newsletter #20, dated October 22, 1976 outlines more details regarding these alternatives.)

The October 22 newsletter in question contains no information on the subject of "powers to arrest" training; not surprisingly, since regulations were not formulated until December 1976.

The Bureau has also failed to develop procedures to carry out the challenge exam option. As noted above, only four schools are currently providing this service. Many schools contacted during our phone survey indicated that they were unsure of bureau requirements both in terms of their responsibilities and required administrative procedures. One program coordinator at a bureau-approved school characterized his problems with BCIS as follows:

Lack of clear training guidelines, lack of return communications, lack of adequate teaching and input from training agencies . . . I highly suggest immediate attention be directed to "who" is training these people, and "how" they are doing it.

In addition, the proposed proctor system using representatives from law enforcement agencies has not been carried out. The Bureau

received only 10 positive responses to a letter soliciting proctors; none were from metropolitan districts where the majority of private patrol companies are located. Despite the lack of response, the Bureau is advising private patrol companies to contact local law enforcement agencies to arrange for proctors to administer the "powers to arrest" challenge examination.

Compliance Made Difficult

Because of the manner in which "powers to arrest" requirements are administered, private patrol operators and employees have found it difficult to comply with the law.

On February 16, 1976, a large private patrol company filed for, and received, a court order temporarily restraining the Bureau and the Department from enforcing Section 7514.1 of the Business and Professions Code.

The complaint petition stated, in part:

Because of the (Bureau's) incompetence, incapacity, unwillingness, inability, negligence, and failure to do those things required of them under the law and under their own regulations, the (company) is subject to misdemeanor criminal penalties for its failure to comply with said regulations and laws . . .

further,

The end result is that (plaintiff) and other security services throughout the State . . . , are finding it impossible to comply with the regulations, obtain registration cards for the employees, and thus are either forced to turn away business or provide less than satisfactory service to their clients.

The company requested dismissal of the temporary restraining order on April 30, 1977, following several meetings between the two parties and their legal representatives.

The meetings resulted in the following informal agreements:

- BCIS would make efforts to enlarge the number of schools providing the "powers to arrest" training course.
- BCIS would issue a training course outline to employers to assist them in providing "a certificate of equivalent training experience" as required by regulation. (See page 16.)
- BCIS would attempt to develop a pool of proctors to administer the challenge examination.
- BCIS would develop a "five-week letter" system enabling an employee who is unable to complete "powers to arrest" training to apply for and receive an automatic extension of the five-week limit.

As of June 30, 1977, only one of the above agreements had been carried out. The number of schools offering the training course had not been expanded; a training course outline had not been issued; and a pool of proctors had not been developed.

However, security guards may now receive an automatic extension of the five-week limit by providing written evidence of "good faith efforts" to take the course or examination. The employee may work without a security guard registration card until the training is completed.

In our opinion, this "open-ended" extension of the five-week limit is not in the best interests of public health and safety.

CONCLUSION

The Bureau of Collection and Investigative Services has failed to adequately implement the "powers to arrest" training regulations. Ineffective administration makes compliance with the regulations difficult to achieve and is not in the best interests of public health and safety.

RECOMMENDATIONS

We recommend that the chief of the Bureau of Collection and Investigative Services provide a sufficient amount of "powers to arrest" training opportunities either by enlarging the number of approved institutions or by providing alternative training and testing procedures.

We also recommend that the bureau chief thoroughly outline, explain and clarify the "powers to arrest" training requirements and responsibilities.

Upon the successful implementation of these recommendations, the Bureau should abandon the automatic open-ended extension of the five-week training deadline.

BENEFITS

Effective implementation of the "powers to arrest" training requirements would increase public protection and industry compliance with the regulations.

**FUND DEFICIENCIES IMPEDE
COLLECTION AGENCY PROGRAM
ENFORCEMENT**

During fiscal year 1976-77 the Collection Agency program was projected to overexpend its budget by \$100,000 and have a fund deficit of at least \$35,000. As a result, BCIS must significantly reduce expenditures in fiscal year 1977-78, in part, by curtailing the Collection Agency auditing program. Curtailing this enforcement function will adversely affect the Bureau's ability to monitor and review licensees and protect the public from collection agency abuses.

Projected Fund Deficiencies

As of June 24, 1977, the Department of Consumer Affairs estimated a fiscal year 1976-77 year-end Collection Agency Fund cash deficit of approximately \$35,000. The Department also projected a budget overexpenditure of at least \$100,000. (The cash deficit is less than the amount overexpended because approximately \$70,000 in Collection Agency fee revenue collected in advance was added to current year revenues. This revenue will not actually be earned until fiscal year 1977-78.)

In order to avoid additional Collection Agency Fund deficiency and possible insolvency, the Department of Consumer Affairs will reduce fiscal year 1977-78 expenditures by 40 to 50 percent. This reduction will be achieved, in part, by reducing the Bureau's audit staff by two positions. The Bureau will also cut Collection Agency program costs "wherever possible" and additional staff lay-offs will be considered if necessary.

Enforcement Affected

Reducing the Bureau's audit staff from five to three positions will adversely affect the enforcement capabilities of the Collection Agency program.

One of the Bureau's responsibilities mandated by the Collection Agency Act is to monitor and review all aspects of Collection Agency licensee activity for adherence to prescribed statutes and regulations. This enforcement function is accomplished primarily by an extensive audit program which includes: reviews of financial statements, comprehensive on-site audits and audit investigations of consumer complaints.

Removing two auditors from the Collection Agency unit will result in almost 50 percent fewer on-site audits; fewer investigations of consumer complaints; and more reliance on financial statements, in lieu of on-site audits, to monitor and review licensees.

Although the Bureau has developed a new audit program based on a randomly selected sample of all collection agencies, we doubt its adequacy in light of the reduced staffing level. Particularly, since the Bureau in June 1976 requested an additional auditor position because "the Bureau's enforcement program is insufficient to meet its stated objectives."

Officials both at the Bureau and Department agree that the Collection Agency program's capability to enforce regulations will be impeded. It is clearly possible that collection agency abuses will go undetected. One official stated that as a result of staff cut-backs a reduced enforcement capability may "cut the heart out of legislative intent"

Revenue Projections Overstated

Overstated revenue projections for fiscal year 1976-77 contributed to the Collection Agency Fund deficiency.

The Bureau and the Department of Consumer Affairs projected Collection Agency program revenues of \$314,919 in fiscal year 1976-77, with expenditures of \$309,983. While projected expenditures appear to be on-target, revenue will be approximately \$200,000, almost \$100,000 less than projected. Consequently, program expenditures overran available income generated from licensee applications and renewals.

One Department official characterized the revenue overestimate as a "gross miscalculation" that "never should have gone through (the budgetary process)."

Inaction on Fee Increase

The present Collection Agency Fund deficiency could have been partly relieved had the Bureau acted more aggressively to increase licensee fees above their current statutory limits.

As early as February 1976 the bureau chief was aware of the need for legislation to increase Collection Agency fees to preclude serious fund deficit problems in fiscal year 1977. However, as of July 1, 1977, a fee bill had still not been requested.

Department officials are currently searching for an appropriate bill and author.

CONCLUSION

Collection Agency Fund deficiencies will impede the Bureau's ability to effectively monitor and review licensee performance. As a result, the Bureau will provide the public less protection from collection agency abuses.

RECOMMENDATION

We recommend that the Bureau take effective and immediate action to obtain legislative approval to increase Collection Agency fees to a level that will support program operations.

BENEFITS

Sufficient Collection Agency program funding would improve the Bureau's ability to monitor and review licensees and protect the public from collection agency abuses.

**NEED TO DEVELOP ALARM
COMPANY REGULATIONS**

AB 3445, enacted on September 30, 1976, authorized the Director of the Department of Consumer Affairs to adopt and enforce rules to regulate alarm company operators and alarm agents. The bill included alarm companies within the licensee group regulated under the Private Investigator and Adjuster Act as administered by the Bureau of Collection and Investigative Services. The regulations, intended to promote and protect the public welfare, were to become effective January 1, 1977.

As of July 1, 1977, six months after the proposed implementation date, the Department had yet to adopt and enforce alarm company regulations. Hence, the Bureau is failing to conduct a program intended by the Legislature.

The reason for the failure to adopt rules is bureau and departmental inaction.

Despite the absence of regulations or a program to implement AB 3445, the Bureau has augmented its staff by four clerical positions to "implement and process the new program." We see no justification for additional staff and the accompanying incurred costs for personnel services, without the adoption of regulations that would create program revenue to support them.

CONCLUSION

BCIS and the Department of Consumer Affairs have failed to take timely action to comply with legislative intent. A legislatively mandated program to regulate alarm company operators is currently not in practice because the Department of Consumer Affairs has not adopted program regulations.

RECOMMENDATION

We recommend that the Director of the Department of Consumer Affairs take immediate action to issue and enforce regulations to license and register alarm company operators under the authority of the Private Investigator and Adjuster Act.

BENEFITS

Adopting and enforcing alarm company regulations would permit the Bureau to comply with the legislative mandate and promote and protect the public welfare.

Respectfully submitted,

Wesley E. Voss, Jr.
JOHN H. WILLIAMS
Auditor General

August 2, 1977

Staff: **Gerald A. Hawes, Supervisor**
Richard C. Tracy



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(916) 445-4465



August 1, 1977

Mr. John Williams
Auditor General
State of California
925 L Street
Sacramento, CA 95814

Dear Mr. Williams:

I have reviewed the draft copy of the report entitled, "Need for improved Administration in the Bureau of Collection and Investigative Services." The attached response addresses each of the recommendations contained in the report.

As you can see a great deal of progress has already been made toward implementing the recommendations. Successful implementation is certain to improve operations of the Bureau and service to the public.

I appreciate the straightforward and objective evaluation reflected in this report and also appreciate the opportunity to review and comment on the draft report prior to its release.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard B. Spohn".

RICHARD B. SPOHN
Director

RBS:p1

Attachment

BUREAU OF COLLECTION AND INVESTIGATIVE SERVICES

Department of Consumer Affairs

**RESPONSE TO THE
AUDITOR GENERAL DRAFT REPORT
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE**

**NEED FOR IMPROVED ADMINISTRATION IN THE
BUREAU OF COLLECTION AND INVESTIGATIVE SERVICES**

Department of Consumer Affairs

JULY 1977

AUGUST 1977

RECOMMENDATIONS: Pages 13 - 14

"We recommend that the bureau chief develop administrative procedures to provide for timely processing of security guard registration documents."

RESPONSE: The Bureau is developing an overall management plan for guard and firearm processing.

The Bureau has adopted a reporting and control system recommended by the Department's management analyst on June 7, 1977. A workload information and control system was implemented June 13, 1977. Each employee of the Guard and Firearm Unit has been given a task list and statement of weekly workload standards and goals (duty statement). Each employee of the Unit is aware of his or her responsibilities as they relate to Bureau goals. Employees are required to prepare weekly workload reports. A summary of the reports is disseminated to the Bureau Chief, Assistant Chief, and clerical supervisor. The reports indicate the volume of incoming workload, outgoing products, backlog, and the Unit's work performance as compared with the Bureau's workload goals.

The Security Guard Unit of the Bureau also adopted correspondence procedures on June 13, 1977. Outgoing correspondence is reviewed by the clerical supervisor for grammar and content. All incoming correspondence is retained and filed with a copy of the outgoing response. The Bureau has developed a ten-day turn-around for correspondence response.

May 2, 1977 the Bureau developed an office supply and forms inventory system. Form shortages are no longer a Bureau problem.

RECOMMENDATIONS: Pages 21 - 22

"We recommend that the chief of the Bureau of Collection and Investigative Services provide a sufficient amount of "powers to arrest" training opportunities either by enlarging the number of approved institutions or by providing alternative training and testing procedures.

We also recommend that the bureau chief thoroughly outline, explain and clarify the "powers to arrest" training requirements and responsibilities.

Upon the successful implementation of these recommendations, the Bureau should abandon the automatic open-ended extension of the five-week training deadline."

RESPONSE: The Bureau is preparing a management action plan to study the "powers to arrest" and firearms training requirements as they relate to training facilities. One of the study objectives will be to evaluate the availability and quality of schools and, where necessary, develop alternative training and testing procedures.

The Bureau has taken three steps to alleviate the immediate training problem:

1. An outline for security guard registration and firearm permit requirements and responsibilities has been prepared. "Powers to arrest" training information is included in the package. Upon review and approval, the Bureau will disseminate the information package to all licensees no later than August 29, 1977. The information will also be available upon request.

2. The Bureau Chief is reviewing and approving additional training institutions. Consequently, the opportunity to acquire training has increased for applicants.
3. The list of approved institutions is being revised and updated. A new list will be available by August 29, 1977.

The Bureau is posting all "powers to arrest" training certificates and requests for extension of the five-week training deadline in an effort to prepare a suspension list for guard cards. It is anticipated that the list will be prepared by August 8, 1977 and guards will be notified by September 1, 1977 of their violations.

RECOMMENDATION: Page 26

"We recommend that the Bureau take effective and immediate action to obtain legislative approval to increase Collection Agency fees to a level that will support program operations".

RESPONSE: The Department prepared a fee increase proposal during the current legislative session but was unsuccessful in locating an appropriate bill and author. The Bureau will re-evaluate that proposal in light of program operational needs and will request an appropriate fee increase in the 1978-79 legislative session.

For the current fiscal year, the Bureau has undertaken the following steps to maintain its ability to monitor and review licensees and to protect the public from collection agency abuses:

1. Regulations have been drafted to increase collector's registration fees and examination fees to their statutory maximums, with a target implementation date of November 1, 1977. These actions will produce a projected increase in

revenues of \$11,550 during fiscal year 1977-78 and \$21,075 in fiscal year 1978-79.

2. The Bureau has prepared a redesign of its audit program to make more efficient use of audit personnel and to effect increased reimbursement for audit costs by agencies. The major elements of the redesign include expanded financial reporting by agencies, a priority system for selecting agencies for audit, and an increase in the daily rate charged for reimbursable audits from \$75. per day to \$18.75 per hour (\$150. per day). Regulations have been drafted to achieve the audit rate increase, and all forms, procedures, and selection criteria drafted. This program is targeted for November 1, 1977 implementation.
3. New regulations have been implemented requiring prior approval of agency forms and written notice to debtors that questions regarding collection agency law and practice may be directed to the Bureau.
4. The Bureau is undertaking a study to redesign its complaint handling procedures in order to ensure appropriate response to complaints. Agency performance regarding complaints is included among audit selection and disciplinary action criteria.

Two specific areas in this section of the report require comment. One page 23, the Auditor indicates that the Collection Agency program was projected to overspend its budget by \$100,000. The revised 1976-77 approved budget level was \$309,983. Actual expenditures (including accrued expenditures) total \$306,772. While the expenditures

admittedly are close to the budget, at no time did we predict that the budget would be overexpended by \$100,000.

Secondly, the Auditor rightly points out that revenues were projected at \$314,919 and actual revenues received were about \$200,000 (actual \$203,219). There are several reasons for the difference. First, the Auditor indicated during his review that certain of the funds being collected should be accounted in the 1977-78 fiscal year. The 1976-77 revenue accounts were adjusted downward by approximately \$37,000 on his recommendation. This revenue was included in the original estimate, and was received, but merely accounted in a different manner.

The remainder of the overestimation was due primarily to the Bureau changing to a continuous renewal system during this period. The adopted system required that one-half of the licensees renew their licenses in advance of expiration. Unfortunately, the staff was not able to predict the reluctance of the licensees to renew early simply to smooth out the renewal process. Consequently, the majority of the renewals were received in July 1977 when the license expired (1977-78 fiscal year).

RECOMMENDATION: Page 28

"We recommend that the Director of the Department of Consumer Affairs take immediate action to issue and enforce regulations to license and register alarm company operators under the authority of the Private Investigator and Adjuster Act."

RESPONSE: I agree with your recommendation that regulations to license and regulate alarm companies be developed and implemented as expeditiously as possible. The Bureau has developed a timetable for

development of the alarm company program, which projects a program implementation date of October 1, 1977.

The legislation to create this program mandated a timetable which would have required full and immediate attention by Bureau management.

The Bureau of Collection and Investigative Services is a small organization which currently licenses and regulates five other industries. Unfortunately, during the time period mandated for alarm company program development, the Bureau was involved in extensive litigation initiated by another industry. This necessitated full management attention and consequently delayed new program development.

In the interim period, the Bureau has used the clerical help budgeted to this function to answer program-related telephone inquiries, prepare correspondence, to type proposed regulations, and perform other tasks required in the start-up phase of implementation. Some staff is routinely required prior to the implementation of any new program in order to plan and prepare for program start-up.

April 11, 1977

Mr. Richard B. Spohn
Director of Consumer Affairs
State of California
1430 Howe Avenue,
Sacramento, Ca. 95825

Dear Mr. Spohn;

This company, a security guard outfit had been in operation since Since that time, we have guards who had successfully passed the firearms training school, including the range. Their applications for State Registration and Firearm Qualification were duly forwarded to your department with their corresponding fees. The two schools we send them to had asserted us that a list of those guards were regularly sent to your department for confirmation.

Unfortunately, up to the present time, none of our security guards have received their cards yet. We have sent applications continuously since February 1976. Quite a few fingerprint cards were returned to us to be redone due to improper technique, the deadlines of submission all had been religiously complied with. A few letters were sent to us, too, stating the inability of the respective department to process some applications due to non-availability of rosters from the corresponding school. April 1, 1977 a State Registration application was returned to us with a note stating that no application fee was enclosed. The date this application was sent was November 18, 1976 with accompanying fee of \$8.00. The check number is available upon request.

Quite a few instances in the past, some of our guards were questioned, at times even harassed by the Police Department on their job locations for not having their cards showing permission to carry firearms, in their possession.

These are only a few of the problems we have to face almost every day. We're sure, Mr. Spohn, you do understand our situation in this regard. It would be greatly appreciated if you could give this matter your special attention and consideration.

Very truly yours,

RECEIVED
APR 19 1977
C. I. S.
SACRAMENTO, CA.

RECEIVED
APR 13 1977
Dept. of Consumer Affairs
EXECUTIVE OFFICE
SACRAMENTO

April 14, 1977

Department of Consumer Affairs
Bureau of Collection and Investigative Services
1430 Howe Avenue
Sacramento, Ca. 95825

Attention: Douglas Faigin

Dear Mr. Faigin:

On November 29, 1976 we mailed 67 Security Guard Registration Renewal Applications to the Bureau for processing and issuance of new registration cards to our employees whose registration cards expired on 12/31/76. The Applications were all put in one envelope marked Attention: Roger Jones, and were accompanied by a note to Mr. Jones which requested that the Bureau process all of the Applications as a group and return the new cards to us for distribution to the employees.

The note also requested Roger Jones to call me if this were not possible which he never did do.

At the same time we sent a check in the amount of \$ 245.00 which was deposited by the Bureau.

On February 23, 1977 (approximately 3 months later) I called Roger Jones and asked him when, if ever, were we going to get the new Registration Cards. Mr. Jones advised me that they were in process and would be out shortly, but did not commit a date to me. At the same time he also advised me that the current registration card would be good up to 90 days after the expiration date and not to worry.

The time however has arrived when I now have to begin to start worrying because we have contacted each of the 67 employees either personally or by telephone and the following men have informed us that they haven't received their Renewal Cards as yet, which means that they have exceeded the 90 day period that Mr. Jones advised me that they would be good for:

(Deleted for purposes of confidentiality.)

It is requested that the Bureau check the status of the above Applications and advise us the results as soon as possible.

Yours Truly,

Department of
Consumer Affairs

Dear Sir,

I am writing this letter as a complaint against the Dept. of Consumer Affairs, Bureau of Collection & Investigations.

In August 1976 I sent in an application for my Guard Card and my Gun Permit. In Oct I got an additional bill for \$5.00 which I paid. Since then I have heard only one from them. That was to send me my guard registration card. But no gun permit.

My complaint is to know <sup>RECEIVED
MAR 2 1977</sup> ~~why~~ is it taking 6 months ^{C.I.S.} ~~to~~ ^{SACRAMENTO, CA.} to process my application. This is getting out of hand.

How come its taking so long for mine to come back and several of my partners

who sent for theirs after me
already have them.

And since you must
have your permit to carry a gun
this is really messing me
up!!

Why dont they issue some
type of temporary permit till
your regular one comes in. . .

I'm getting tired of phoning
that Dept every week. Its long
distance & I don't really have
that kind of money to pay. And
each time I call I get someone
else.

We have the cancelled
checks so we know they have
our money. What's going on.

Could you please check into
this mess for me. I really
need that card. My job is
at stake.

Sincerely yours.

RECEIVED
MAR 22 1977
C.I.S.
SACRAMENTO, CAL

Feb 22, 1977

Mr. Douglas Foggin
Bureau of Collection and Investigative Services
1430 Howe Ave.
Sacramento, Calif.

Dear Mr. Foggin:

We have requested 50 sets of print cards and applications for registration on Jan. 11th, Jan 21st., Feb 8th and Feb 15th, 1977. WE HAVE NOT RECEIVED THEM NOR ANY RESPONSE.

We do not have any of the necessary cards and cannot comply with the state law due to the negligence of the Bureau.

Yours truly,

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps